

1.0 Purpose

1.1 The purpose of the Policy

The purpose of this Policy is to outline financial crime definitions and responsibilities for all colleagues to comply with UK legislation, regulations, and industry guidance applicable to our business model. It is intended to confirm our commitment to protect our colleagues, customers, and the wider global economy from the impact of financial crimes. The Policy supports the achievement of a consistent and proportionate approach to preventing, detecting, deterring, and reporting all types of financial crime across all Skipton Building Society products and services. This supports the Board Risk appetite, see section 4.1.

1.2 Applicable Regulations and Legislation

Skipton Building Society is regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) and operates within the relevant regulation and legislation in respect of products and services in the financial services sector.

This Policy deals with our responsibilities to comply with UK legal and regulatory requirements specifically relating to Anti-Money Laundering (AML); Counter Terrorist Financing (CTF); Financial Sanctions; Fraud; Tax Evasion and Anti-Bribery & Corruption (ABC).

The key relevant laws and regulations are outlined below:

- The Money Laundering, Terrorist Financing and Transfer of Funds Regulations (2017) inc. amendments up to 2022.
- Proceeds of Crime Act (2002);
- Serious Organised Crime and Police Act (2005);
- Terrorism Act (2000);
- Fraud Act (2006);
- Bribery Act (2010);
- Policing and Crime Act (2017);
- Criminal Finances Act (2017);
- Economic Crime and Corporate Transparency Act (2023)
- His Majesty's Treasury (HMT) Financial Sanctions List; and
- FCA Handbook Systems and Controls, including Senior Management arrangements.

The following are considered industry best practice guidance and are observed by Skipton Building Society:

- Joint Money Laundering Steering Group (JMLSG);
- Financial Action Task Force (FATF);
- UK National Risk Assessment of Money Laundering and Terrorist Financing;
- FCA Financial Crime Guide for Firms; and
- The Wolfsberg Group.

2.0 Scope

This Policy applies to **ALL permanent and temporary employees** of Skipton Building Society including contractors, consultants and secondees.

It is the responsibility of all relevant employees to maintain awareness of, and compliance with this Policy.

Each Skipton Group business is responsible for adherence to the relevant legislation and regulation in respect of financial crime risk management and have their own policies. Therefore, this Policy is not applicable to Connells Ltd, Jade Corporation (UK and New Zealand) Ltd, Skipton Business Finance Ltd (SBF), and Skipton International Ltd (SIL).

3.0 Definitions

For the purposes of this Policy, financial crime includes Money Laundering; Terrorist Financing; Financial Sanctions; Fraud (internal and external); Tax Evasion or the Facilitation of Tax Evasion; Bribery and Corruption.

Skipton Building Society Financial Crime Definitions	
Crime Type	purposes
Money Laundering	The techniques and processes used by criminals to hide the source of, and convert using financial systems, money from criminal activities so that the money appears to be legitimate.
Terrorist Financing	Providing, collecting, or receiving money specifically for the purpose of committing a terrorist act or supporting a terrorist organisation.
Financial Sanctions	Financial restrictions placed on individuals, countries, or entities by governments due to foreign policy or national security measures.
Fraud (Internal and External)	Any dishonest wilful act or omission where the person's intention is to gain something or cause a loss or risk of loss to another.
Tax Evasion or the Facilitation of Tax Evasion	The criminal offence of evading lawful revenue or being knowingly involved in the fraudulent evasion of tax. Facilitation of tax evasion under the Corporate Criminal Offence Act (2017) would be where Skipton Building Society fails to prevent tax evasion by associated persons such as colleagues, contractors, and suppliers.
Bribery	The giving or receiving of rewards or gifts designed to act as an inducement to provide or receive favourable treatment.
Corruption	Corruption is a form of dishonesty, or a criminal offence, undertaken by a person or an organisation which is entrusted in a position of authority, to acquire illicit benefits or abuse power for personal gain.

The Money Laundering Reporting Officer (MLRO) is charged with ensuring that the Financial Crime Prevention Policy, procedures, and controls comply with the requirements of regulations and legislation outlined in 4.1 and any other relevant legislation or regulatory expectations.

The MLRO will also be responsible for ensuring that any suspicious activity is identified, properly investigated and reported to the NCA or other law enforcement agency where appropriate. The MLRO will ensure that processes are in place so that all colleagues are properly trained to understand how our products and services might be used for the purposes of financial crime, what procedures are in place to mitigate this risk and their statutory responsibilities in this area.

4.0 Policy Statements

The Skipton Building Society Board and Senior Management team are committed to minimising the impact of financial crimes on the business, its customers, and the wider economy. It is expected that senior leaders will ensure that appropriate risk-based internal policies, procedures, systems, and controls are in place to mitigate the risks of our products and services being used for criminal activity. These should be designed to help our colleagues meet their responsibilities in adhering to this policy. It is expected that all colleagues will adhere to relevant laws and regulations that apply to our business. The key requirements are outlined below.

Risk Area	Requirements
Fraud	All colleagues will ensure that they identify and report any fraud or scam concerns in a timely manner via a Financial Crime Report or by contacting the Financial Crime Department directly. All colleagues must adhere to documents, instructions, processes, and procedures designed to mitigate fraud risks. Any breaches of this requirement must be escalated through line management.
Money Laundering & Terrorist Financing	All colleagues will ensure that they identify and report any suspicious activity in relation to money laundering and/or terrorist financing in a timely manner via a Financial Crime Report or by contacting the Financial Crime Department directly. All colleagues must adhere to documents, instructions, processes, and procedures designed to mitigate money laundering and terrorist financing risks. Any breaches of this requirement must be escalated through line management.
Anti-Bribery and Corruption	All colleagues will report any gifts or inducements above £10 offered or received, irrespective of whether they are accepted and will seek approval from their ExCo member before acceptance for any gifts or inducements offered or received which exceed a value of £250 (limits apply to any single item). Cash or vouchers must be declined. Any breaches of this requirement must be escalated through line management.
Tax Evasion	All colleagues must ensure that they do not knowingly facilitate tax evasion and will report suspicions or concerns to the Financial Crime Department in a timely manner. This includes the facilitation of tax evasion relating to colleagues, contractors, suppliers, and other associated persons. Any breaches of this requirement must be escalated through line management.

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4.0 Policy Statements *(continued)*

4.1 Risk Appetite

Skipton Building Society is exposed to financial crime risk due to the nature of its products and services. As part of effective risk management, the Society is committed to fulfilling our lawful and regulatory obligations through a risk-based approach to financial crime which enables us to deter, detect, prevent, and report money laundering, terrorist financing, bribery and corruption, and tax evasion.

The Board has no appetite for:

- The use of Skipton Building Society products or services for the laundering of criminal proceeds or any activity that would facilitate this.
- The use of Skipton Building Society products or services to facilitate tax evasion.
- Fraud committed or facilitated by anyone employed by Skipton Building Society.
- Engagement with an individual/entities subject to financial sanctions.
- The **offering, giving, solicitation** or the **acceptance** of any inducement or bribe (whether cash or other inducement) to or from any person or company, to gain a commercial, contractual, or regulatory advantage for Skipton Building Society.

The Board accepts that:

External and Internal fraud is a recognised risk of conducting business and Skipton Building Society may be subject to some losses because of such activity. However, all possible steps will be taken to minimize such losses.

The Society will take steps to decline or terminate any relationship which falls outside of the above risk appetite, and report to the relevant authorities as required.

4.2 Policy Principles

To effectively manage financial crime risk, the Society will:

- Maintain clear senior leadership accountability for the implementation of the key principles of the Financial Crime Prevention Policy, managing business standards to prevent financial crime control weaknesses.
- Maintain a strong anti-financial crime culture across the Society, through Board, Executive Risk Committee, and Senior Leadership endorsement.
- Identify, assess, and understand the financial crime risks that may impact products and services offered by the Society, and put appropriate risk based and proportionate control measures in place to mitigate those risks.
- Invest in systems and resource to establish and maintain proportionate risk management frameworks that balance good customer outcomes with appropriate risk mitigation and reporting.
- Establish and maintain cost effective controls and procedures to identify, detect, deter, prevent, monitor, and measure fraud.
- Appoint the Group Chief Risk Officer as the MLRO. The MLRO will provide regular updates to the Board Risk Committee (BRC) and hold overall accountability for the delivery of effective AML systems and controls. The MLRO is required by the Board to produce an annual report on financial crime risks and performance.
- Appoint a Nominated Officer (NO) who will be accountable for receiving, investigating, and reporting of money laundering / terrorist financing suspicions to the National Crime Agency (NCA).
- Conduct annual risk assessments for money laundering, terrorist financing, fraud, tax evasion and bribery and corruption risks relevant to the Society and its business model. Including identification and communication of high risk and non-co-operative jurisdictions. See appendix 1.1.
- Onboard customers through a risk-based identification, due diligence, and verification process. This will support the business in understanding the customer and possible future activity and identify any potential Money Laundering risks. New customers identified whose transactional activity sits outside of the Society's risk appetite will be declined access to our products and services. Action will also be taken to terminate existing relationships that fall into the same category.
- Conduct screening of customers at onboarding and during a business relationship to establish whether they are subject of financial sanctions or are a domestic Politically Exposed Person (PEP), Relation or Close Associate (RCA) or Special Interest Person (SIP) as required by money laundering regulations. See appendix 1.2.
- Maintain appropriate due diligence records in line with regulatory requirements and our Data Retention Policy. Money Laundering regulations require us to retain information about customer due diligence and transactions for five years (Skipton retain them for six years to ensure completeness) so that we can provide them to law enforcement where we are legally required to do so.
- Conduct screening for all new colleagues prior to the start of their employment to ensure that they meet our high standards in respect of their skills, qualifications, and behaviours. Further ongoing screening will be conducted for colleagues specified within the Senior Manager Certification Regime (SMCR).
- All employees will be required to complete financial crime training on an annual basis. Refresher training will be available for all colleagues and senior management as appropriate. Colleagues working in higher risk areas will be provided with more bespoke training specific to their role and area within the business.
- Observe appropriate governance, ensuring that regular updates including the identification, oversight and discussion of issues relating to fraud risk are shared with the Executive Risk Committee and escalated if appropriate.

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4.0 Policy Statements (*continued*)

- Identify and assess individuals and entities subject to United Kingdom and International sanctions and report any breaches as appropriate to the Office of Financial Sanctions Implementation (OFSI) in a timely manner. See appendix 1.3.
- Produce appropriate Management Information (MI) to support oversight and reporting of performance in relation to the detection, prevention, and reporting of financial crime risks.
- Provide support and awareness for customers around fraud risks and what steps they can take to protect themselves.
- Act in an open and co-operative way with all regulatory and law enforcement agencies.
- Not tolerate any colleague's engagement with fraudulent activity, even where it might benefit the organisation. In addition, colleagues are to be provided with a clear obligation around reporting actual or suspected financial crimes they encounter during their employment, whether internal or external.
- Implement decision making processes that reflect our ethics and values to ensure consistency, fairness, and positive customer outcomes. This includes always considering customer vulnerability.
- Ensure that Financial Crime procedural information, systems, and control measures are treated with the utmost confidentiality. Information will only to be released in line with the relevant controls and legislation and with appropriate authorisation by the Nominated Officer, and in their absence, the Group Chief Risk Officer.
- Report all cases of confirmed internal fraud to the Cifas Internal Fraud database and law enforcement.
- Comply with all applicable anti-bribery and corruption legal and regulatory requirements. Ensure that appropriate systems and controls will be established to identify and report conflicts of interest, along with the recording of gifts and hospitality offered or accepted. See appendix 1.4.
- Carry out relevant due diligence relating to corporate entities as required to understand their adherence to relevant laws and regulations before entering into a business relationship with them.

5.0 Roles and Responsibilities

To enable the Group Executive Committee and the Board to determine the effectiveness of procedures, the MLRO will provide it with an annual report on the number of suspicious transactions raised as well as any fraudulent activity identified, investigated, and reported to the NCA during the period. The report will cover the level of compliance with the FCA's high level rules within SYSC and provide an explanation of how any processes have been amended to incorporate new regulations or guidance issued during the year. A separate annual report will contain an assessment of the effectiveness of anti-fraud measures.

In addition, the Board, via the Executive Risk Committee has oversight of the financial crime controls output. It receives Financial Crime Management Information on a regular basis via the Board Information Pack (BIP) report to assist with this responsibility.

In line with our legal responsibilities, the Group Chief Risk Officer acts as the MLRO and is the Senior Manager (SMF17) with overall accountability for the Society's financial crime prevention and detection controls. The Group Chief Risk Officer will also be appointed as the Anti-Bribery Officer for the purposes of reporting any concerns in relation to breaches of this policy which must be escalated to them.

The MLRO will act as the focal point within the Society for all activity relating to Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF).

The Head of Financial Crime is the Nominated Officer for the purposes of receiving Money Laundering concern disclosures and determining whether these should be reported to the National Crime Agency (NCA).

The Financial Crime Department is responsible for providing content for colleague training and awareness, investigating allegations of both internal and external fraud, investigating suspicious activity in relation to money laundering or terrorist financing, transaction monitoring and customer due diligence activities including sanction screening and will liaise with colleagues as required to manage and mitigate financial crime activity.

All colleagues are required to adhere to the principles of this Policy and report any concerns about any processes and procedures which may facilitate or increase the risk of financial crimes.

5.1 Three Lines of Defence

Skipton Building Society operates a "three lines of defence" model, which outlines the appropriate responsibility and accountability allocated to the management, reporting and escalation of risk.

First line – Business Areas

Heads of Department are responsible for developing and maintaining effective controls for the prevention and detection of financial crime risks and all colleagues are responsible for adhering to those controls and procedures. Scheduled oversight of business area quality assurance issues supports Financial Crime to identify risk areas.

Second Line – Group Risk

Group Risk provides; oversight, objective challenge, and are accountable for development and communication of risk management policies and frameworks. The Financial Crime Department will perform transaction monitoring to identify potential suspicious activity and liaise with business areas in the investigation of suspicious activity. The Financial Crime Department will determine the referral or reporting of suspected or actual offences to law enforcement, NCA and the Regulator.

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5.0 Roles and Responsibilities *(continued)*

Third Line – Group Internal Audit

Group Internal Audit provide independent and objective assurance on the effectiveness of systems and controls. They will regularly form an independent view of Skipton Building Society's view on risk management, based on business monitoring across all areas of the business.

6.0 Approval

This Policy will be presented for review by the Executive Risk Committee and for approval by the Board Risk Committee every two years (or sooner if appropriate) to maintain relevant compliance with regulatory or legislative changes and to reflect on any lessons learned from internal or external events.